

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3884-08
Bill No.: Truly Agreed To and Finally Passed CCS for HCS for HB 1711
Subject: Property, Real and Personal; State Tax Commission; Taxation and Revenue -
General; Taxation and Revenue - Property
Type: Original
Date: May 7, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$175,203,066 or \$176,453,066 to Unknown)	(\$211,400 or \$1,461,400 to Unknown)	(\$161,400 to Unknown)
State School Moneys	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$175,203,066 or \$176,453,066 to Unknown)	(\$211,400 or \$1,461,400 to Unknown)	(\$161,400 to Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
School Districts	(Unknown) up to \$175,000,000	(Unknown) to Unknown	(\$5,352,739) to Unknown

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 11 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue, Missouri Tax Commission**, and the **Coordinating Board for Higher Education** indicate that this proposed legislation would have no fiscal impact on their agencies.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** stated that the proposed legislation should not result in additional costs or savings to the Office of Administration. BAP deferred to the Department of Elementary and Secondary Education for formula estimates.

Officials from the **Secretary of State's Office (SOS)** assumed the rules, regulations and forms issued by the Department of Elementary and Secondary Education 44 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$2,706 for FY 2003. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Elementary and Secondary Education (DESE)** made the following assumptions regarding fiscal impact on the following provisions of this proposed legislation:

Section 108.140 – General Obligation Bonds

DESE assumes this section allows the costs of refunding of general obligation bonds to be paid from the proceeds of those refunded bonds. Since refunding bonds are placed into the Debt Service Fund to pay off the existing issue, the costs associated with this transaction would therefore be paid from the Debt Service Fund. There would be no fiscal impact to the state.

ASSUMPTION (continued)

LMD:LR:OD (12/01)

Sections 160.011; 160.530; 160.531; 161.092; 166.260 - Family Literacy

DESE assumed two funding components in this proposed legislation:

Section 160.530 - Allocation at some level of the 1% for critical needs to funding family literacy programs. This allocation appears to be at the discretion of the Commissioner of Education.

Oversight assumes the language in the proposal is permissive regarding allowing public schools to establish family literacy programs.

Section 160.531 - Take an amount off the top of the foundation formula to schools and distribute it to establish and fund family literacy programs. The cost estimate for FY 03 is approximately \$5,352,739 if the foundation formula for FY 03 is increased by \$175 million. Therefore, \$5,352,739 would be subtracted from the amount to go to districts through the formula, potentially resulting in a proration factor less than 1.00.

Section 161.092 - Provisional Certification

According to DESE, Missouri currently has a 2-year, non-renewable provisional certification which allows teachers, certified in other states, with two year's experience to obtain full certification upon passing of the PRAXIS or a similar test in their state. This portion of the proposal would appear to create a 5-year provisional situation.

Therefore, out-of-state teachers who would normally be eligible for full certification in Missouri, would be limited to provisional status. In addition the state board of education would be required to issue provisional certification regardless of current employment.

Out of state applicants are currently charged a \$25 fee (which goes into General Revenue) for processing the application. This proposal would allow applicants meeting these criteria to file an application for no charge. DESE does not know the number of applicants that would file under this section, but estimate the number could approach 1,000 per year. Therefore, General Revenue would see a decrease of approximately \$25,000.

Officials from the **Department of Public Safety - Missouri State Highway Patrol** estimated that the limited number of background checks that would be required as a result of this proposed legislation would have minimal fiscal impact and costs could be absorbed.

ASSUMPTION (continued)

LMD:LR:OD (12/01)

Section 160.518 - Alternate Assessments for Special Education Students

DESE assumes the current alternate assessment meets the requirements of the proposal. If another alternate assessment is recommended by the advisory panel, DESE estimates costs at \$2.55 million as indicated below:

In general, about 15% of the public school enrollment is students with disabilities. The cost of testing if current tests (or somewhat modified) are used, would be approximately \$2.5 million per year. However, if new tests were developed the development costs are estimated to be \$2.5 million which would be spread over at least two years. The cost of the advisory panel is estimated to be \$50,000 per year.

Therefore, if using the current tests with or without some minor modification:

Yr 1 = \$2,550,000

Yr 2 = same

If new tests were developed, the same costs would be estimated per year, however, the first year of full implementation would probably be two years after the beginning of development.

Section 160.720 - Accountability for Priority and Performance Schools

The **Department of Elementary and Secondary Education (DESE)** stated that, based on 2001 MAP data and calculating 21% of the school districts which might fall into the retesting criteria, DESE assumes 9,157 students in Step 1 and 1,643 in Level Not Determined would have to be retested. At \$8.00 per retest, the total cost would be approximately \$86,400.

The additional year of intensive professional development assistance to teachers and administrators would add costs to school districts to contract and/or provide the professional development needed. DESE was unable to identify the number of teachers and administrators who would require the additional year; therefore, the impact to local school districts is unknown.

There is minimal fiscal impact (less than \$500) upon DESE to meet with the metropolitan districts involved in a settlement agreement for desegregation to review the accountability compliance statement. **Oversight** assumes that cost could be absorbed.

Section 168.400 - Teacher Assistants

Officials from the **Department of Elementary and Secondary Education** and the **Coordinating Board for Higher Education** indicated this portion of the proposed legislation would have no fiscal impact on their agencies.

ASSUMPTION (continued)

Section 170.014 - Reading Instruction Act

Officials from the **Coordinating Board of Higher Education** stated that if colleges and universities are not currently offering related phonetic instruction, it could result in a fiscal impact on the institutions to implement new courses, change curriculum, or offer new programs to provide the courses necessary for the students to receive adequate training for teaching reading in grades K-3.

Section 163.011 - State Aid - Definitions

The **Department of Elementary and Secondary Education (DESE)** stated that they had requested approximately \$219 million to fund the foundation formula at a proration factor of 1.0. This proposed legislation would decrease the \$219 million to approximately \$175 million.

DESE made the following assumptions in computing the \$175 million estimate:

Guaranteed Tax Base = \$139,507
Payment eligible pupils = 890,600
Line 1 average tax rate = \$3.445
Line 2 average assessed valuation = \$60,859,728,544
Line 2 average tax rate with income factor of 1.00 = \$3.47
Lines 3-5, 8 = FY01 actual
Line 7 = one-half of the FY01 actual increased by 2.5% estimated growth in FY02
Line 9 = FY02 actual distribution
Number eligible for Free or Reduced Price Lunch (for Line 14) = 331,000
Proration factor on lines 1 and 14 = 1.0000000

Other factors impacting the cost are:

- the additional amount required to be paid to hold harmless districts
- payments to the special school districts, Division of Youth Services, and districts with military installations

Section 163.036 - Ten Percent of Assessed Valuation Owned by One Person or Corporation

DESE assumes an unknown cost to state and local funds.

FISCAL IMPACT - State Government

FY 2003
(10 mo)

FY 2004

FY 2005

GENERAL REVENUE FUND

Cost - Department of Elementary and
Secondary Education (DES) (Section
160.518)

LMD:LR:OD (12/01)

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 mo)	FY 2004	FY 2005
Advisory Panel	(\$41,666)	(\$50,000)	\$0
Test Development	\$0 or (\$1,250,000)	\$0 or (\$1,250,000)	\$0
<u>Cost - DESE</u>			
Reimbursements to School Districts for retesting requirements (Section 160.720)	(\$86,400)	(\$86,400)	(\$86,400)
<u>Cost - DESE</u>			
Issuance of Provisional Certificates (Section 161.092)	(\$50,000)	(\$50,000)	(\$50,000)
<u>Cost - Transfers to State School Moneys Fund (Section 163.011)</u>	(\$175,000,000)	(Unknown)	(Unknown)
<u>Cost - Increased transfers to State School Moneys Fund (Section 163.036)</u>	(Unknown)	(Unknown)	\$0
<u>Loss - Application Fees from Out-Of-State Teacher Applicants (Section 161.092)</u>	(\$25,000)	(\$25,000)	(\$25,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$175,203,066 or \$176,453,066 to Unknown)</u>	<u>(\$211,400 or \$1,461,400 to Unknown)</u>	<u>(\$161,400 to Unknown)</u>

STATE SCHOOL MONEYS FUND

<u>Income - Transfers from General Revenue Fund (Section 163.011)</u>	\$175,000,000	Unknown	Unknown
<u>Income - Transfers from General Revenue Fund (Section 163.036)</u>	Unknown	Unknown	Unknown

LMD:LR:OD (12/01)

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 mo)	FY 2004	FY 2005
<u>Cost</u> - Distributions to School Districts (Section 163.011)	(\$175,000,000)	(Unknown)	(Unknown)
<u>Cost</u> - Distributions to School Districts (Section 163.036)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 mo)	FY 2004	FY 2005
SCHOOL DISTRICTS			
<u>Income</u> - School Districts State Aid (Section 163.011)	\$175,000,000	Unknown	Unknown
<u>Income</u> - School Districts State Aid (Section 163.036)	Unknown	Unknown	Unknown
<u>Income</u> - Reimbursement for testing fees (Section 160.720)	\$86,400	\$86,400	\$86,400
<u>Cost</u> - Retesting Requirements (Section 160.720)	(\$86,400)	(\$86,400)	(\$86,400)
<u>Cost</u> - Professional Development (Section 160.720)	(Unknown)	(Unknown)	(Unknown)
<u>Loss</u> - Decreased aid from State (Funds subtracted from distributions to the schools to establish and fund family literacy programs)(Section 160.531)	\$0	\$0	(\$5,352,739)
SCHOOL DISTRICTS (Continued)			
<u>Loss</u> - School Districts - Property Tax Revenue (Section 163.036)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT TO SCHOOL DISTRICTS	<u>(Unknown) up to \$175,000,000</u>	<u>(Unknown) to Unknown</u>	<u>(\$5,352,739) to Unknown</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

SECTION 82.293

Absent explicit statutory authority, no such city shall enact any ordinance, regulation or resolution that would impose a surcharge or other fee to compensate any political subdivision organized pursuant to chapter 162, RSMo.

SECTION 108.140

Costs and expenses relating to issuing refunding general obligation bonds may be paid with proceeds from such bonds.

SECTIONS 160.011; 160.051; 160.530; 160.531; 161.092; 166.260 - FAMILY LITERACY

Section 160.011 and 160.051 – Defines “family literacy programs” and allows public schools to establish family literacy programs for children of all ages and their families.

Section 160.530 – Adds funding for family literacy programs to the priority list of "Statewide areas of critical need for learning and development" and makes family literacy personnel eligible to receive a portion of the funds already allocated to address these statewide areas of critical need for learning and development.

Section 161.092 - Requires the State Board of Education to make an annual report to the General Assembly and the Governor concerning coordination with other agencies and departments of government that support family literacy programs.

Requires the State Board of Education to grant provisional certification to a person with more than DESCRIPTION (continued)

five years teaching experience in that curriculum area and approximate grade level in another state, and permit full certification upon the satisfactory completion of five years teaching in Missouri public schools.

Section 166.260 - Adds family literacy programs to the definition of "eligible pupils" within the “Children At-Risk Program” which utilizes moneys already distributed to school districts by means of the state aid formula.

SECTION 160.518 - ALTERNATE ASSESSMENTS FOR SPECIAL EDUCATION STUDENTS

LMD:LR:OD (12/01)

Provides that the state board of education shall identify or establish developmentally appropriate alternate assessments to the Missouri Assessment Program (MAP) tests for special education students. In developing such alternate assessments, the state board shall establish an advisory panel to research available assessment options. The advisory panel shall attempt to identify preexisting developmentally appropriate alternate assessments but shall, if necessary, develop alternate assessments and recommend one or more alternate assessments for adoption by the board. The advisory panel shall consist of a majority of active special education professionals and other appropriate education professionals.

Any special education student shall be assessed by such alternate assessment upon a determination by the student's individual education program team that an alternate assessment is better suited than the standard MAP test to evaluate the student's independent living skills.

SECTION 160.720 - ACCOUNTABILITY FOR PRIORITY AND PERFORMANCE SCHOOLS

Specifies that the Governor will recognize schools (as identified by the Department of Elementary and Secondary Education) that demonstrate high student achievement and designate such institutions as 'performance' schools. Said performance schools (or districts) will be eligible for waivers of certain administrative rules, to be identified by the Department of Elementary and Secondary Education (DESE), including waivers of administrative rule that result in a meaningful reduction in administrative burden on the districts recognized in this section.

DESE will identify as 'priority' schools that are either: academically deficient; unaccredited; provisionally accredited; or not meeting any of the accreditation standards on student performance based upon the state-wide assessment system.

In order to address these areas of deficiency, the Board of Education of any priority school district will submit an accountability compliance statement to DESE on or before August 15 that: identifies and analyzes areas of deficiency in student performance by school, grade and academic content area; provides a comprehensive strategy for addressing these areas of deficiency; and assures
DESCRIPTION (continued)

disclosure of these areas of deficiency in the school accountability report card; reviews the school discipline provisions and ensure that the district's discipline policies are consistent with Sections 160.261, 167.023, 167.026, 167.117, 167.161 to 167.171 and 167.335, RSMo.

Any resource reallocation plan must include at least one of the following elements: reduction in class size for areas of academic concern; establishment of full-day kindergarten or pre- school programs; establishment of after-school, tutoring and other programs offering extended time for learning; employment of national board-certified teachers or regional resource teachers, along with appropriate salary enhancements for such teachers; establishment of programs of teacher home visitation; or the creation of "school within a school" programs to achieve smaller learning

communities within priority schools.

The proposal would allow the St. Louis City District, which has a desegregation settlement academic improvement plan, to submit that plan for review so that elements that occur in the accountability compliance plan and the desegregation academic improvement plan can be reviewed by DESE to prevent duplication of effort.

DESE will develop a program of administrator mentoring which focuses on the needs of priority schools and priority school districts.

DESE will withhold state funding to any district until that district submits an accountability compliance statement.

SECTION 163.011 - STATE AID - DEFINITIONS

Adds the definition of "district equalized assessed valuation": The average of the "equalized assessed valuation of the property of a school district" for the first and second preceding years.

Revises the definition of "guaranteed tax base" to encompass the average of the third and fourth preceding years, instead of basing the amount on only the third preceding year, as in current law.

SECTION 163.036 - TEN PERCENT OF ASSESSED VALUATION OWNED BY ONE PERSON OR CORPORATION

A school district with ten percent or more of its assessed valuation owned by one person or corporation as commercial and/or personal property that is delinquent in property tax payment may elect, after receiving proper notice from the county clerk, to use on line 2 of the state aid formula the district's equalized assessed valuation for the preceding year or the actual assessed valuation of the year for which the taxes are delinquent less the assessed valuation of property for which the current year's property tax is delinquent. To be eligible to receive state aid based on this provision the DESCRIPTION

district must levy during the first year following such notice at least the maximum levy permitted school districts by article X, section 11(b) of the Missouri Constitution and have a voluntary rollback of its tax rate which is no greater than one cent per one hundred dollars assessed valuation.

SECTION 168.400 - TEACHER ASSISTANTS

This section provides that DESE shall promulgate rules to allow all teacher education students who have been employed for at least two years as teacher assistants to utilize their teacher assistant experience to bypass the practice teaching evaluation and observation process. These rules shall allow the certified teacher working with the teacher assistant to observe and evaluate said teacher assistant's practice teaching.

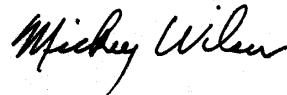
SECTION 170.014 - "READING INSTRUCTION ACT"

Mandates that all public schools offer explicit systematic phonics instruction in grades kindergarten through three as a significant component of their reading program. Explicit systematic phonics is defined in the proposal. All new teachers who teach reading in kindergarten through grade three shall receive adequate training in this area.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Office of Administration
Division of Budget and Planning
Department of Revenue
Office of Secretary of State
Administrative Rules Division
Coordinating Board for Higher Education



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Acting Director
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